



DECONTROL OF CEREALS AND FEEDINGSTUFFS

*Presented to Parliament by the Secretary of State for the Home Department,
the Secretary of State for Scotland, the Minister of Agriculture
and Fisheries and the Minister of Food
by Command of Her Majesty
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1. As announced in Parliament on 3rd December, 1952, the Government have been consulting the representatives of farmers and the many trades concerned on the possibility of removing the present controls on the prices and supplies of all cereals and feedingstuffs, and returning imports to private trade. Apart from the economy and increased efficiency in various directions which should follow, an important reason for this step is that the present feedingstuffs' rationing scheme is unsatisfactory in several respects. In these consultations particular attention has been paid to the need for maintaining stable conditions in agriculture, and the effect which the removal of cereals control might have on the price of bread. The Government have now decided, in the light of the consultations, that these controls should be brought to an end at the next harvest.

2. The removal of controls on cereals and the resumption of private imports by the trade will involve the removal of the existing subsidy on flour and also the removal of the restrictions on the type of flour which may be produced. But a National flour of 80 per cent. extraction will continue to be produced and the subsidy on bread made from this flour will be continued and modified to take account of the disappearance of the flour subsidy. The subsidised National loaf will also remain subject to price control. Bread made from whiter flour of lower extraction will not be subsidised, nor will it be subject to price control. This whiter flour will, however, be fortified by the addition of nutrients equivalent to those lost in the further refining which it undergoes (so far as these can at present be identified) as well as the calcium which is already added to the National flour; and this will ensure that freedom to produce whatever flour the public prefers will not result in any avoidable lowering of nutritional standards.

3. Later there will have to be some adjustments in the method of implementing Part I of the Agriculture Act, 1947, for the four cereal crops. After decontrol there will no longer be maximum prices for cereals. For the 1953 harvest the Ministry of Food will remain ready to buy any supplies offered under existing arrangements. Further, these arrangements will continue until the new permanent arrangements for implementing the price and market guarantees under the Agriculture Act, 1947 can be settled, after full and mature consultation with all the interests concerned, and brought into operation. It would clearly be appropriate, however, to establish as soon as possible the permanent methods of implementing the Act in the new conditions. Preliminary discussion on this problem has already started with representatives of the Farmers' Unions and will be continued with a view to establishing as soon as is reasonably practicable the most effective arrangements.

4. In the White Paper of last May on the Annual Review and Fixing of Farm Prices, the Government stated that the subsidy on feedingstuffs could not be continued indefinitely but would be kept on for a further year. The decision now taken to remove controls makes it impossible to continue any remaining subsidy required to hold prices at present levels and the Government have decided that this subsidy should be withdrawn on 1st April next. The effect on farm costs will be one of the factors taken into consideration at the forthcoming Annual Review.

5. It will be necessary to maintain control over the import of cereals from outside the sterling area in order to safeguard the balance of payments. The Government's intention is to administer such control in a manner which gives importers the greatest possible freedom consistent with our balance

of payments' needs to purchase their requirements in the most favourable commercial conditions. The system will be operated with the aim of checking from the outset any tendency for non-dollar supplies to command premium prices over supplies from the dollar area.

6. This will ensure that we shall not be dependent upon any one source, however important, and that adequate supplies, so far as we can afford to buy them, will always be available at world prices. In these circumstances, it would clearly be unnecessary and undesirable to contemplate the creation of a reserve stock, for such a stock would overhang the market and discourage the re-establishment of private trade upon a stable basis, besides increasing prices by adding to the overhead costs of handling supplies. Satisfactory stocks will, in any event, be available in the country at the date of decontrol.

7. The rate of imports authorised after decontrol will in any case be sufficient to maintain the present supply of feedingstuffs. The Government also expect that farmers will increase home production of animal feedingstuffs, thus providing a net addition to total supplies. The current livestock expansion programme which was laid down in the White Paper issued after the 1952 Annual Review assumes that the addition to the livestock population will be supported entirely from additional home produced feedingstuffs. But in the early stages of decontrol the expansion of home production of feedingstuffs may not keep exactly in step with the expansion of the livestock population. For this reason, during the first year after the end of feedingstuffs' rationing, the Government will be prepared, in the event of any critical shortage of supplies leading to a serious upward tendency of prices, to consider authorising such additional imports as may be needed to maintain a livestock population which is expanding in conformity with the White Paper programme.

8. There will be further discussions of the detailed arrangements with all the interests concerned. Meanwhile the feedingstuffs rationing scheme will continue in full force.

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